



The Real Estate ANALYST

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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies....Survey....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 44

LOCAL AND REGIONAL REAL ESTATE ACTIVITY

WITHIN the last three years we have doubled our coverage on real estate activity. Formerly we reported on real estate activity in 36 cities. That number has now grown to 72. The most recent activity figures available are shown by the charts on pages 424 through 432. We are also gathering information on 10 other cities and will eventually publish activity data on 82 cities. In addition to the local real estate activity figures, we also show regional activity patterns from 1910 to the present on pages 434 and 435.

Regional real estate activity patterns show that the East Central (with 74 points above normal) and the Southwest (72 points above normal) Regions are out in front of the other sections of the country. The Southern Region is in third place, with 67.7 points above normal. The New England-Middle Atlantic Region shows an activity of 47.6 points above normal, while the West Central Region and the Pacific Coast bring up the rear with activity readings of 27.4 and 21.9 points above normal.

The current recovery in real estate activity has brought the first four regions to points higher than they enjoyed at any time during the boom of the twenties. However, the West Central Region and the Pacific Coast are both still a considerable distance below their peaks of the last boom.

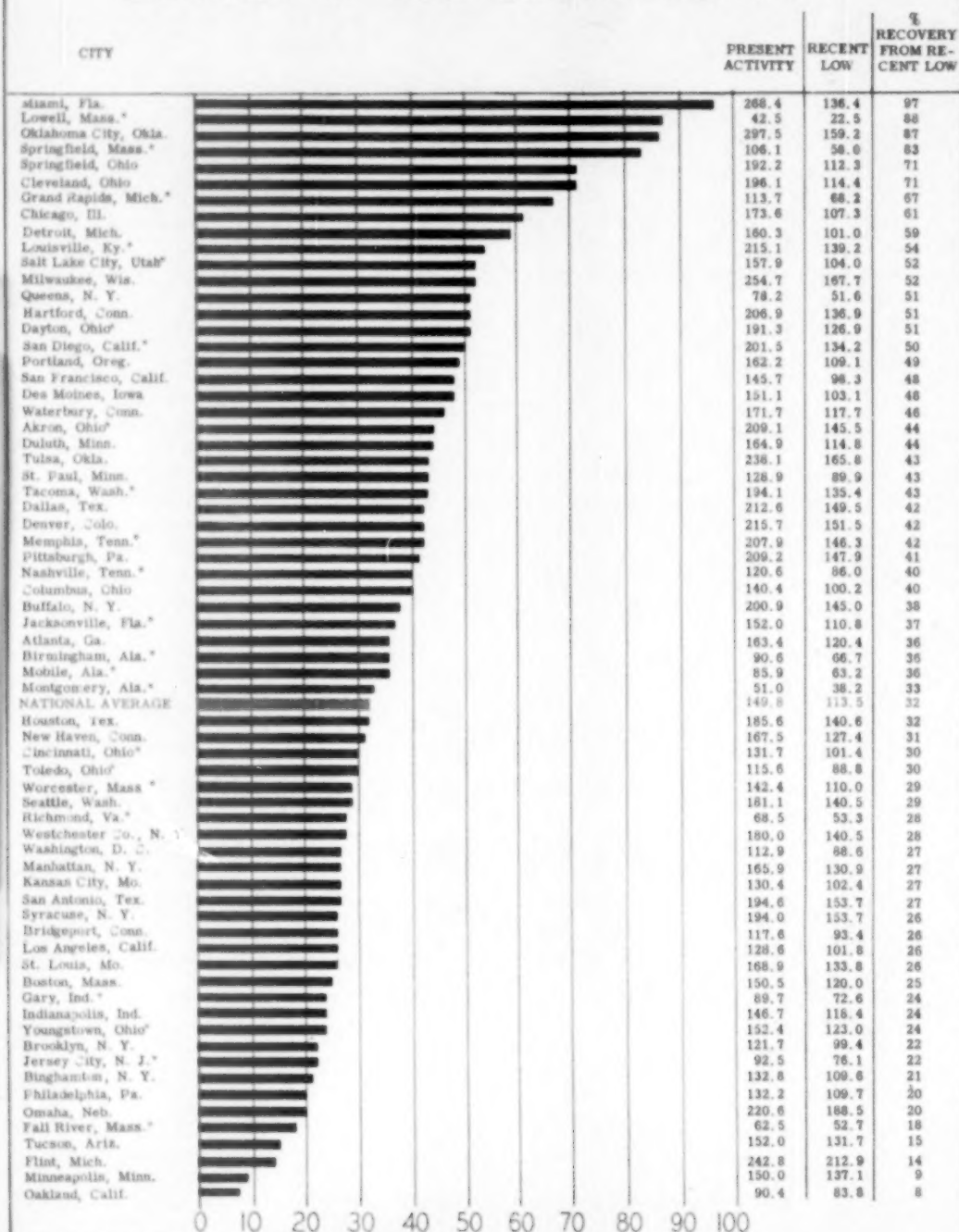
When real estate activity started falling in 1946, all of these regions participated in the decline. The Pacific Coast was the only region to drop below its normal line. By June 1949 it had fallen to 4.4 points below normal. Since then it has moved back to almost 22 points above normal.

The Southwest Region has had the most robust and most sustained boom. Its peak in 1946 was 101.0 points above normal (or about 8% better than the national average) and its subsequent decline hit a trough that was still 27 points above normal. It has since climbed back to 72.2 points above normal.

The greatest percentage of recovery has been achieved by the East Central Region. Activity in this region reached its peak of 87.4 in 1946. This reading is approximately the same as the national average (86.1). Its three-year decline in activity followed the national average pattern very closely and reached a leveling-off spot only a point above the national average. Since reaching this low spot of 14.6 points above normal, activity in the East Central Region has climbed to 74 points (a 52% gain) in comparison to the national average's recovery to 49.8 points.

Most of the charts on pages 424 through 432 compare local real estate activity
(cont. on page 423)

CHANGES IN REAL ESTATE ACTIVITY



* Based on number of transactions per 10,000 families.

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with the national average. There are, however, a few charts where the information does not run back far enough to make such a comparison possible. These cities may be recognized by the fact that the national average line (red) does not appear on the chart.

During the boom of the 1940's (and part of 1950) the cities with the highest real estate activity have been Miami, Milwaukee, Flint, Denver, Dallas, Tulsa, Oklahoma City and Houston. There are probably no major cities where real estate activity could be classified as bad, but those where it has been the "least good" are Jersey City, Salt Lake City, San Francisco, Brooklyn, Cincinnati, Fort Wayne, Indianapolis, Gary, Columbus, Ohio, and Washington, D. C.

As most of our subscribers realize, local real estate activity bounces around a good deal from month to month. Short-term trends are difficult to establish, and frequently mean very little. During late 1949 and 1950, however, the resurgence of real estate activity has been so strong and so widespread that we have prepared a table showing the percentage it has risen in each of 67 principal cities. This table is on page 422 of this bulletin. The table shows the percentage rise from the recent low point to the present level. National real estate activity reached its recent low point in June 1949 and then started its strong recovery. The individual cities, however, reached their recent low points during different months in 1949. Therefore, the recovery period will vary in length from one city to another. For example, the length of time between Miami's recent low and the present is 14 months. In Oklahoma City the recovery period has lasted 17 months; in Chicago, 15 months. On the other hand, the period of recovery in Omaha has been 10 months, while in Oakland it has been only 5 months.

Further examination of this table shows that while Flint has had little recovery, its activity has been very high and there has been little reason or room for recovery. Lowell, Massachusetts, however, shows a remarkable recovery percentage-wise, but still has probably the poorest real estate activity of any major city in the country.

Over the long pull the new defense program should exert a stabilizing influence on the real estate industry. In other words, the immediate measures will tend to level off the present recovery period. However, the continued high rate of government spending will bolster wage and salary payments. This will keep real estate activity from dropping so far and so fast as it might if the government simply curtailed mortgage credit without increasing defense spending.

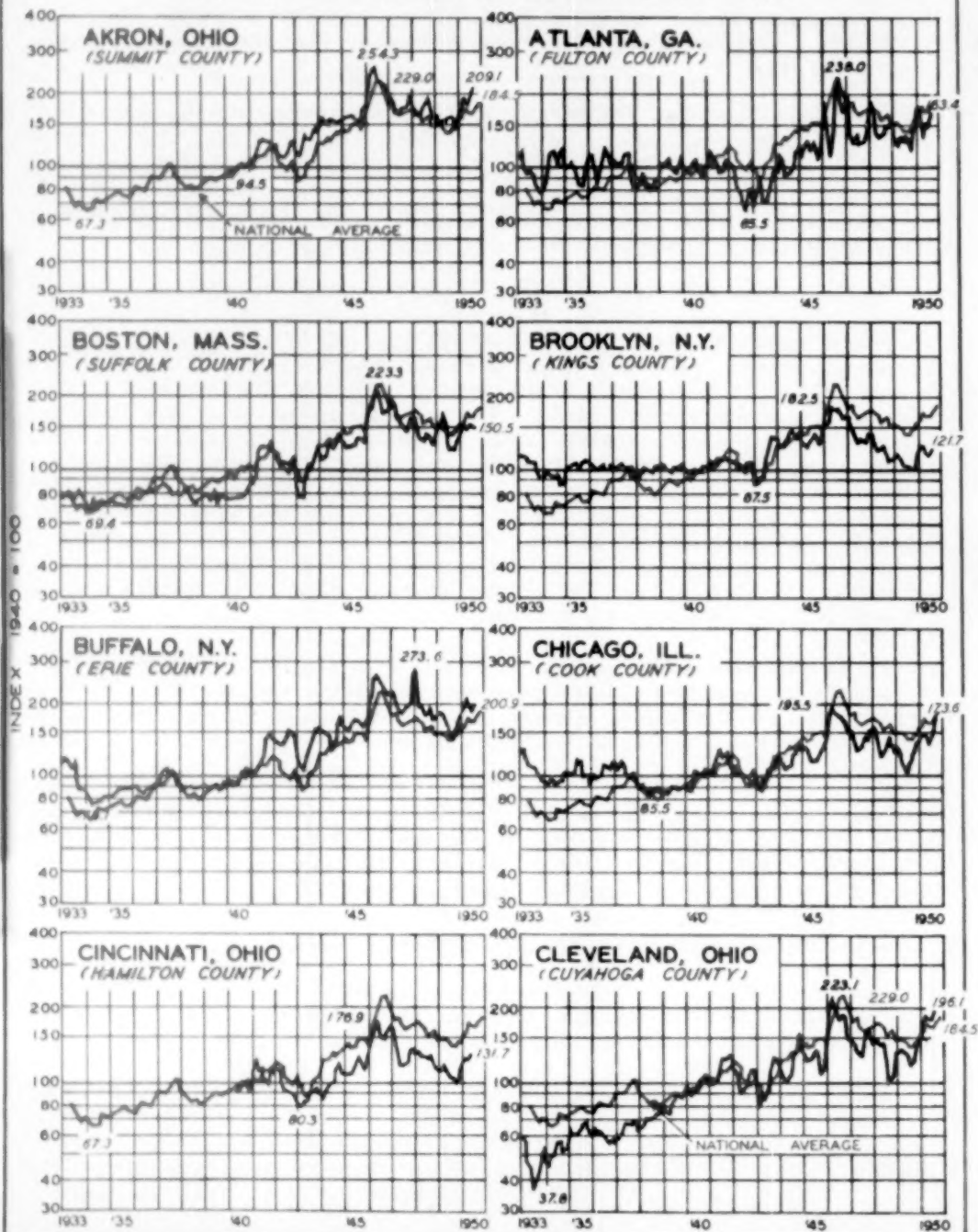
Another positive factor in the real estate activity field is the fear of serious inflation. More people are going to enter the market, not necessarily to speculate, but to hedge against the inflation that is virtually certain to increase.

There are many changes that will come as the government shifts the gears on our defense production machinery. Most of them will be more pronounced in certain localities than in others. In attempting to evaluate these changes and their influence on real estate it might be well to consider the three basic ingredients of any

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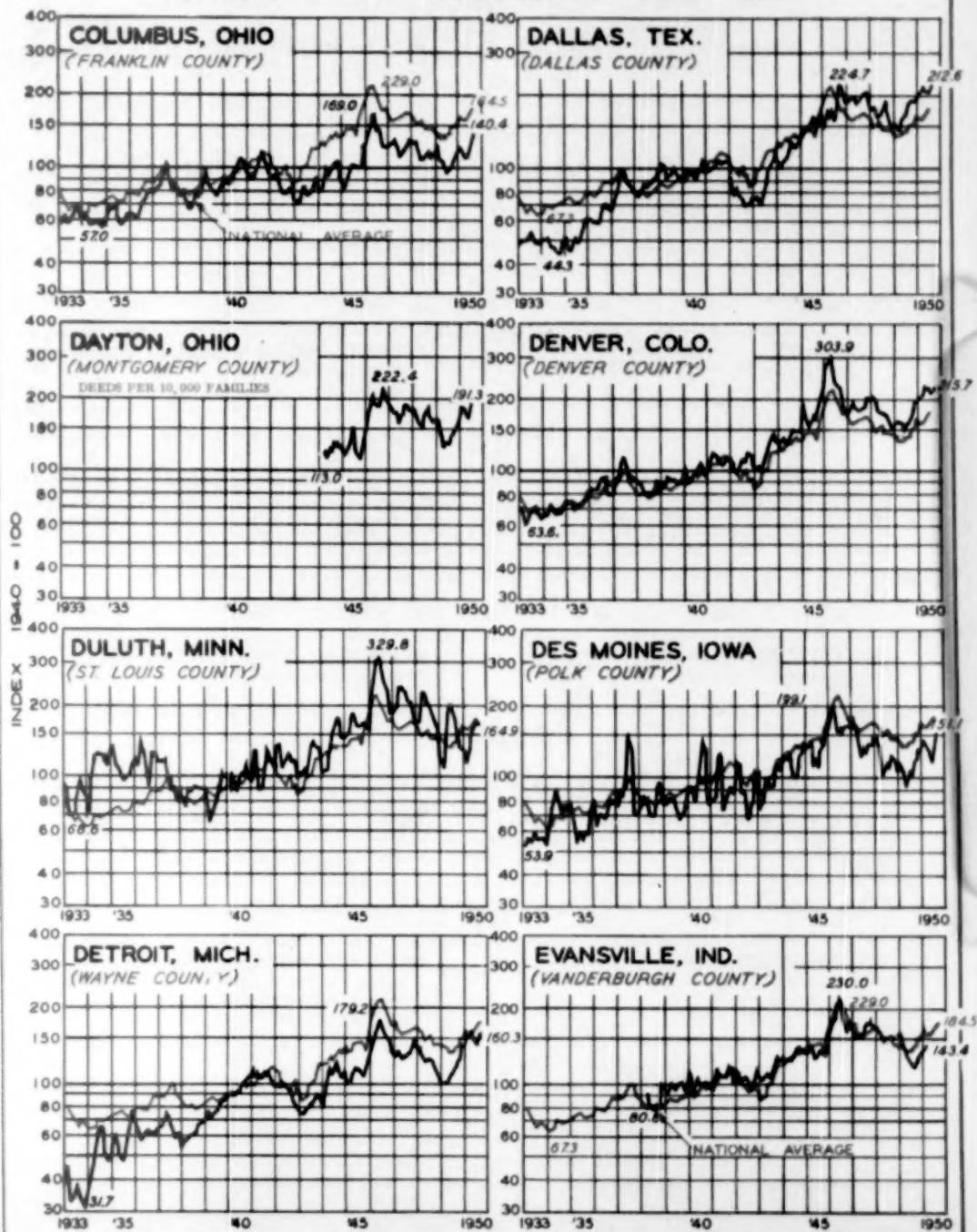
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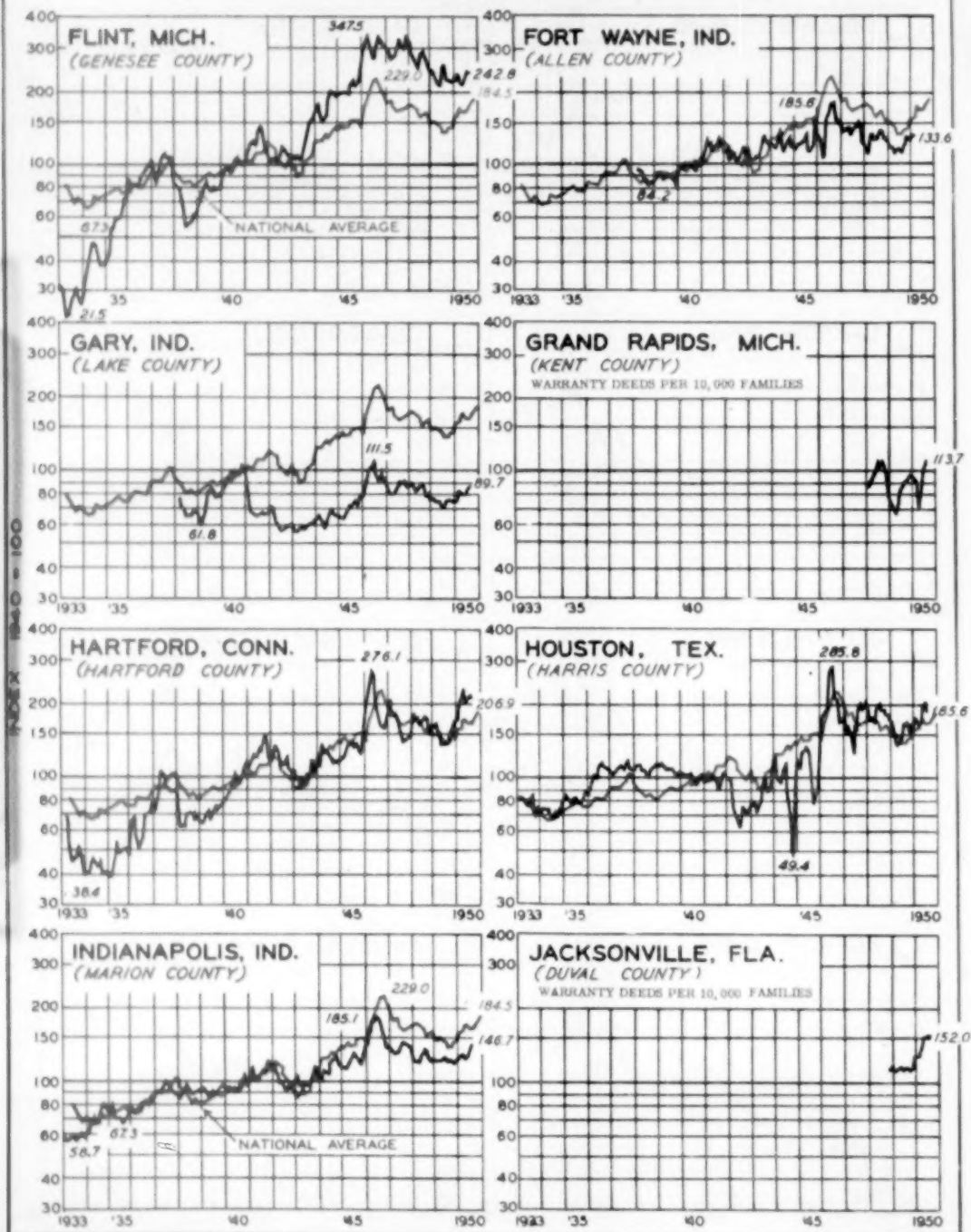
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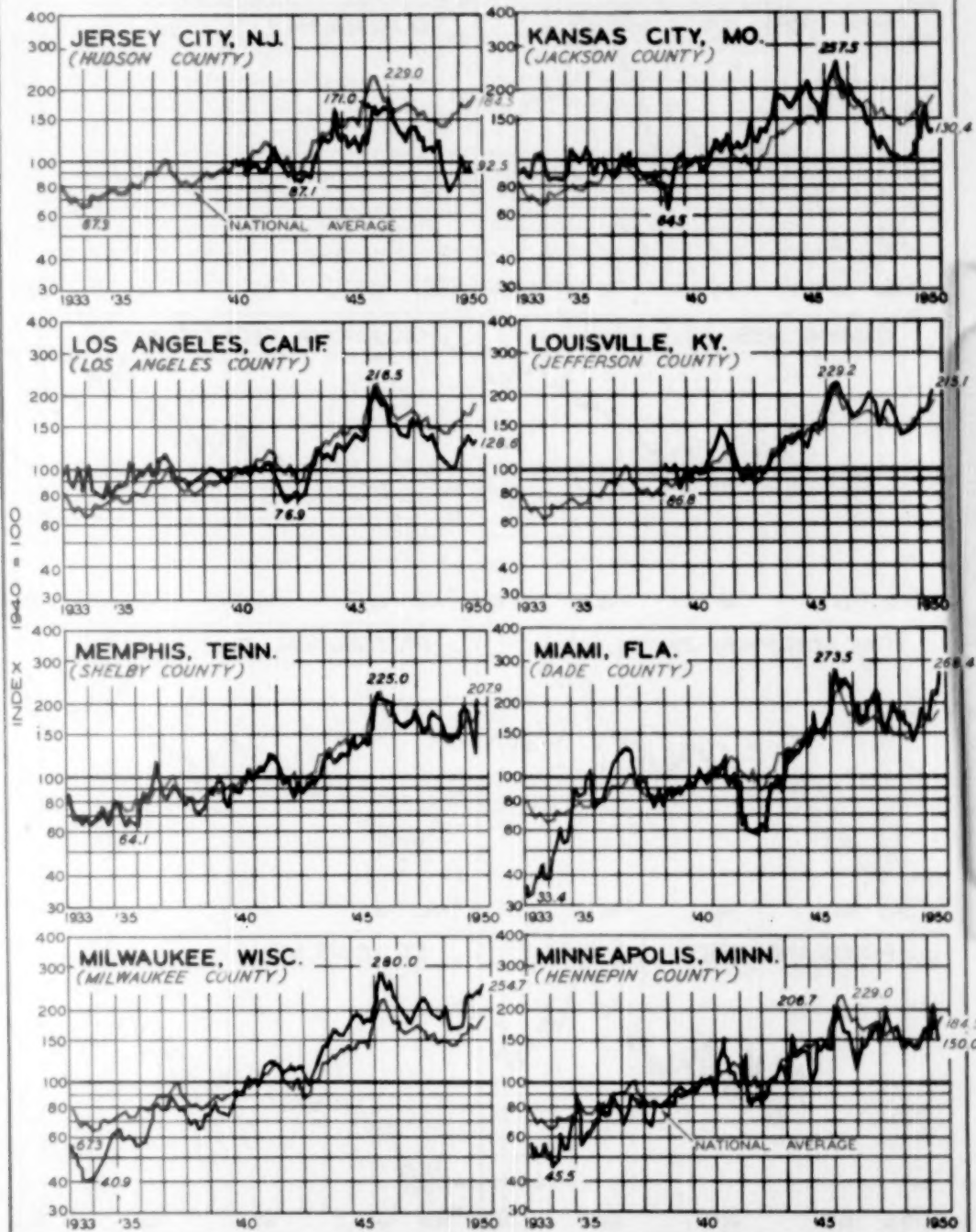
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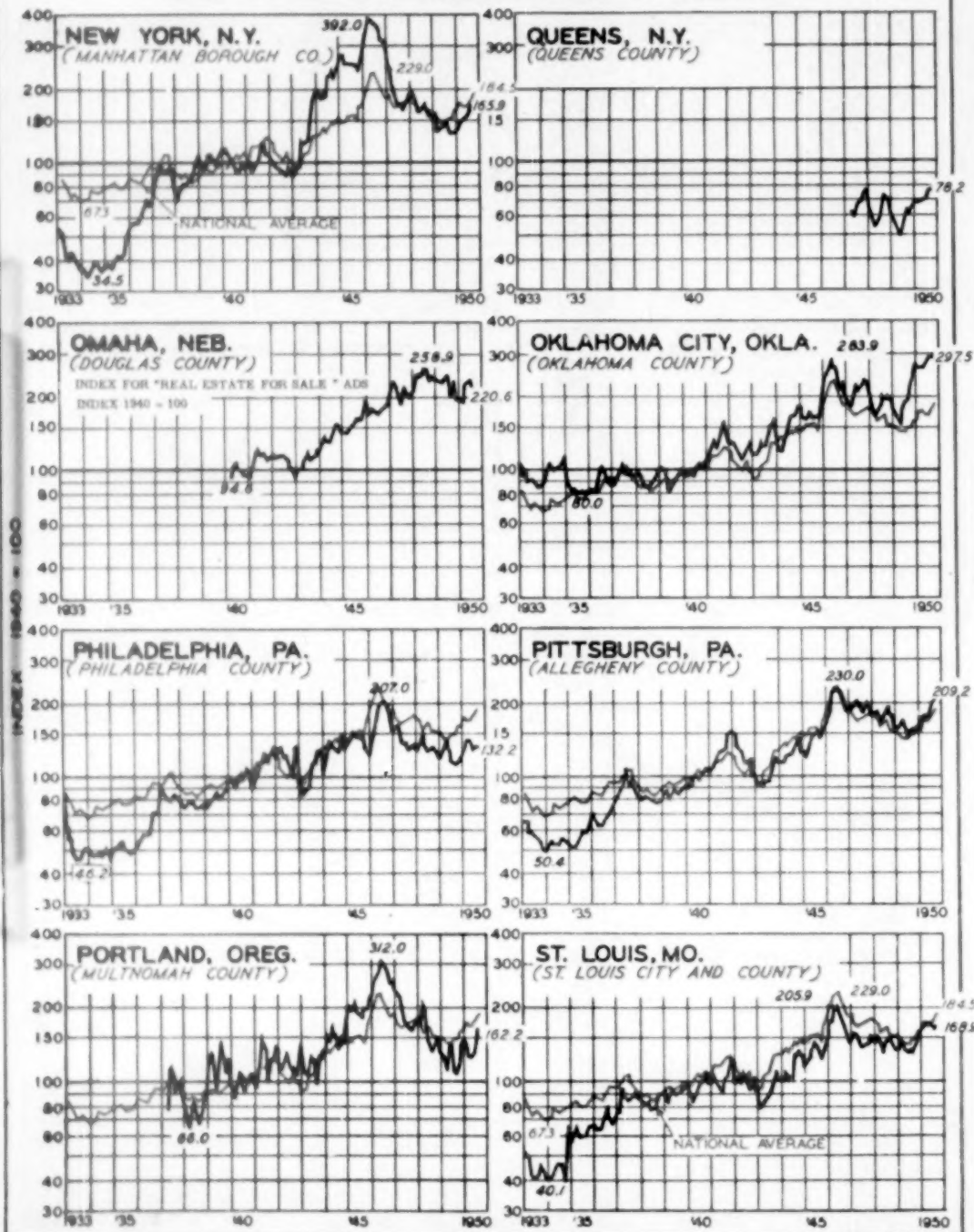
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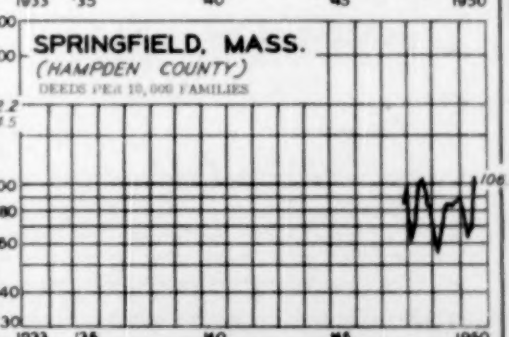
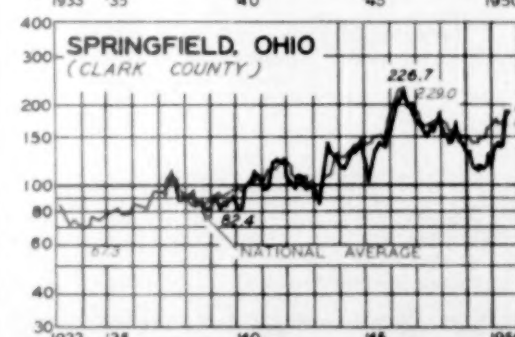
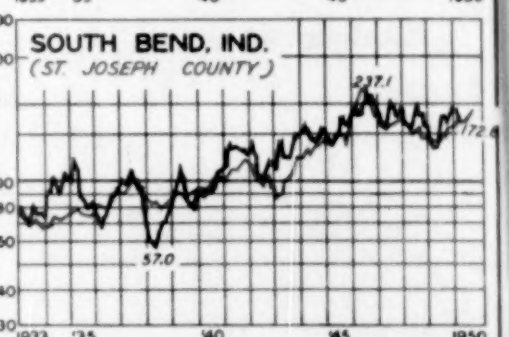
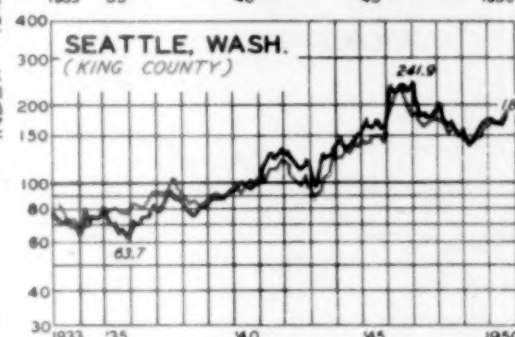
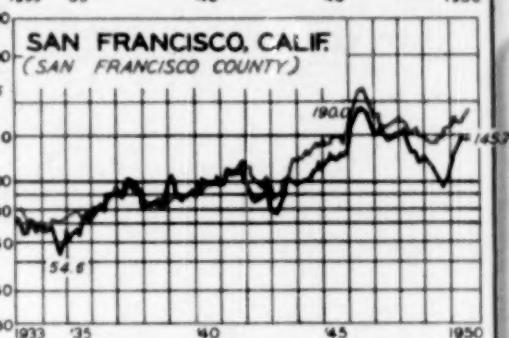
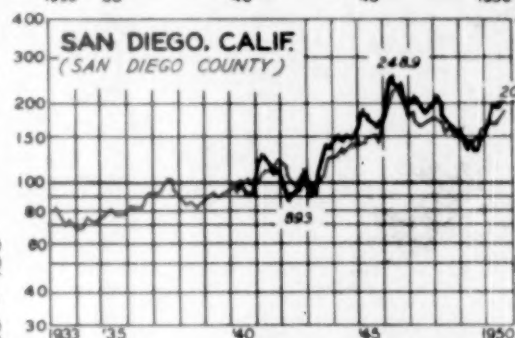
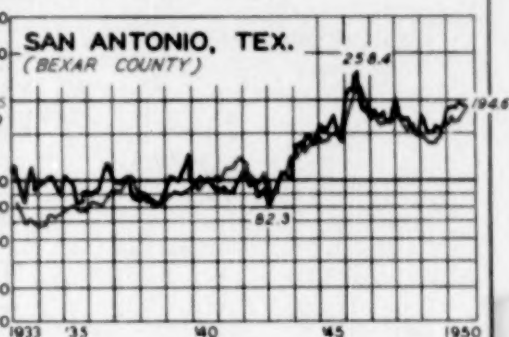
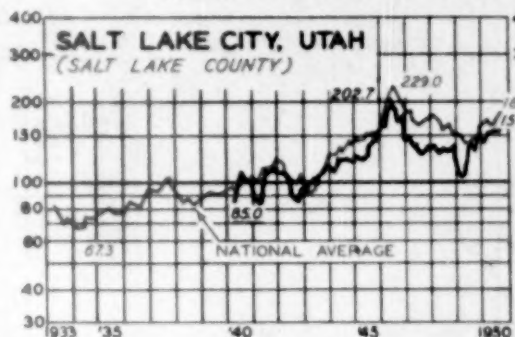
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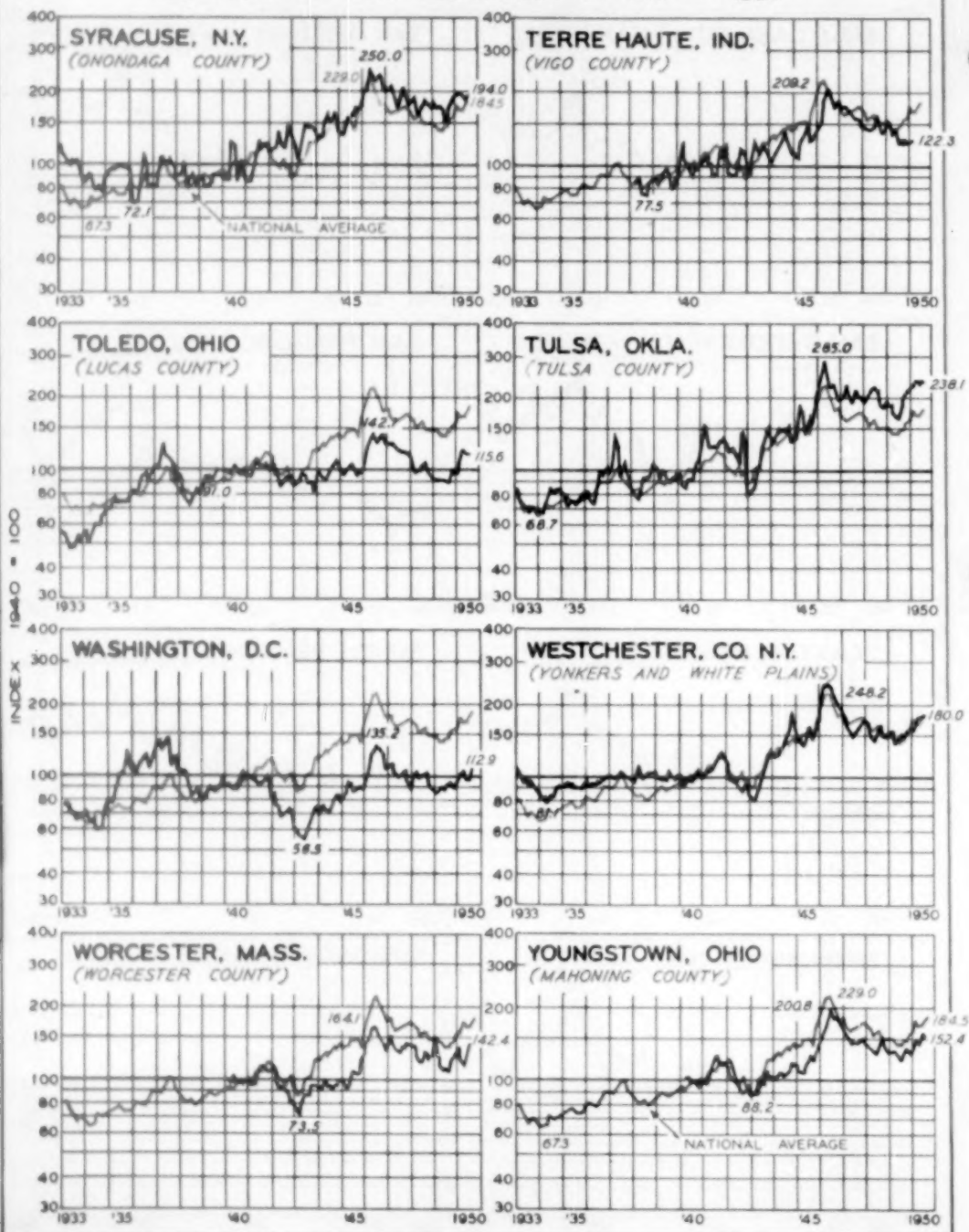
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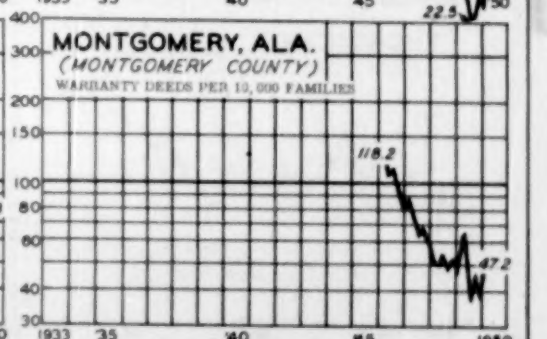
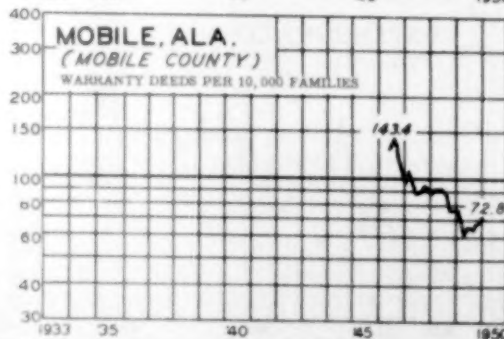
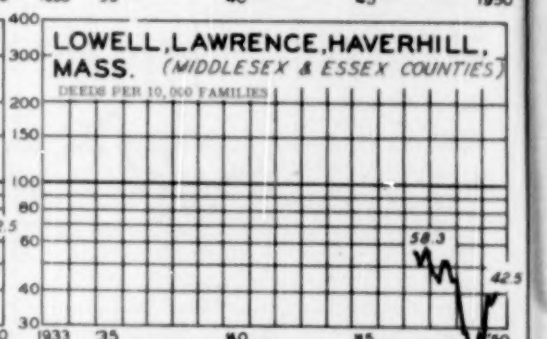
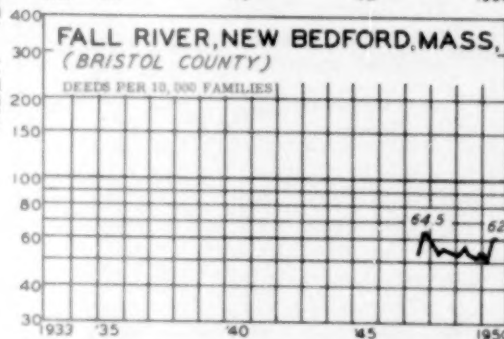
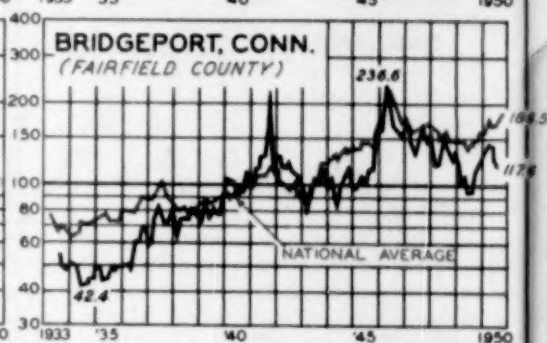
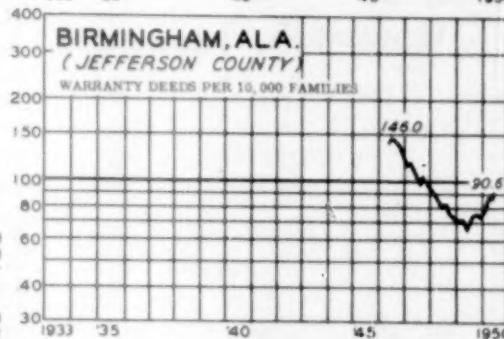
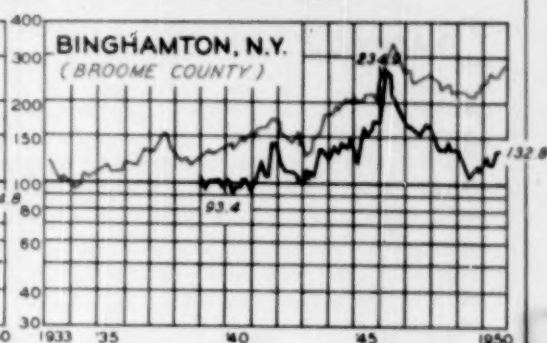
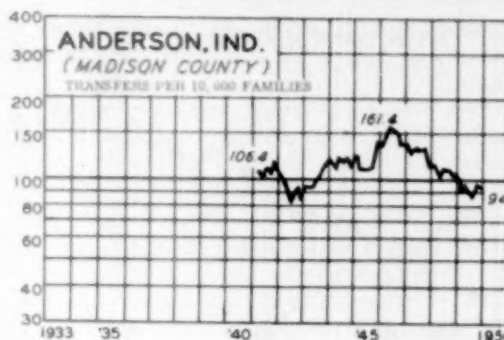
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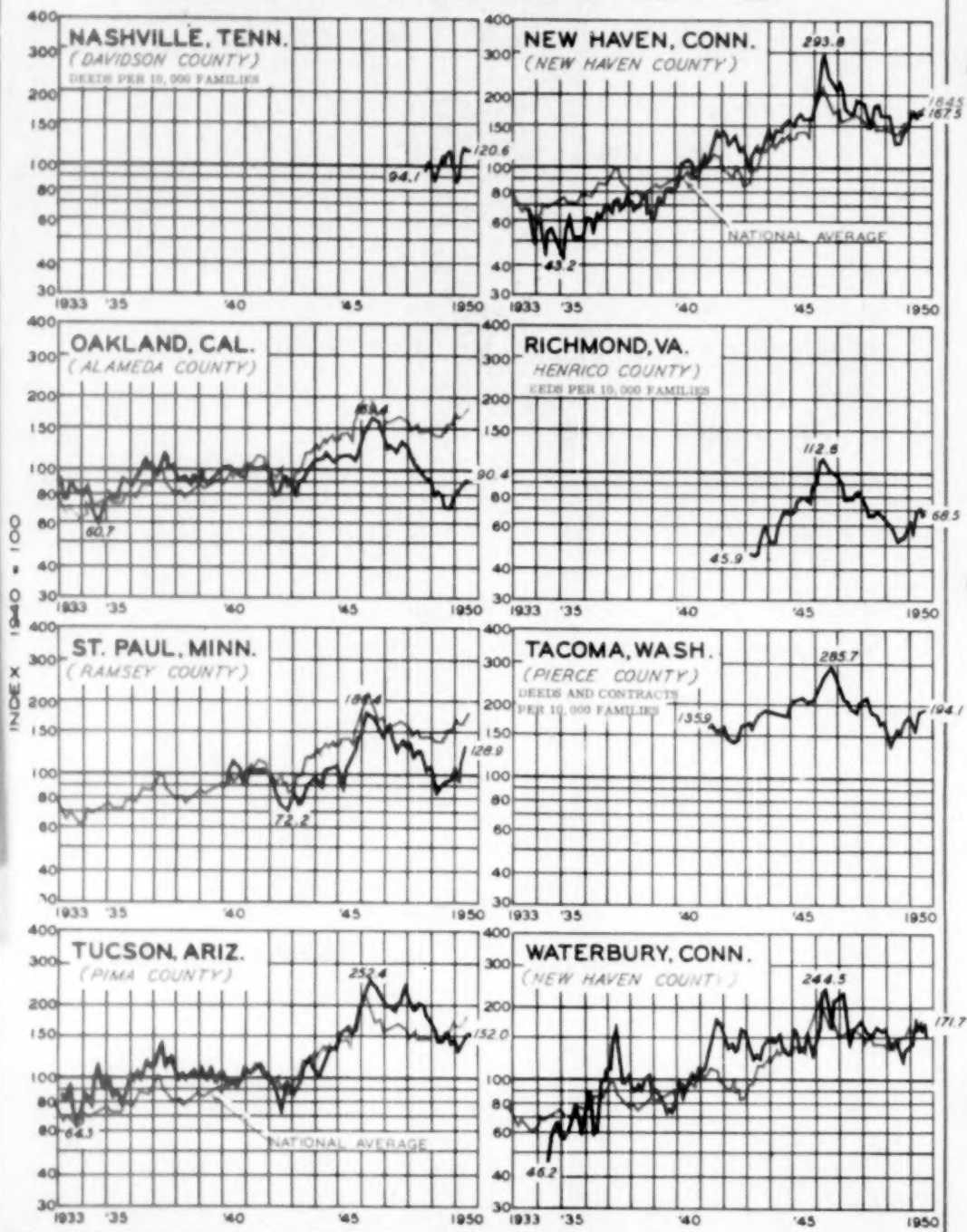
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LOCAL AND REGIONAL REAL ESTATE ACTIVITY

(cont. from page 423)

production economy - men, materials and money. The status of each has changed greatly since 1940.

Manpower (and, of course, we must also include "womanpower") is much more fully employed now than in 1940 when there were over 7 million unemployed. The past several years of high incomes, high consumer purchases and high birth rate will tend to slow the rush of women into defense jobs. On the other hand, most defense production will come from conversion of production lines rather than additions to them. The major exception to this will be found in aircraft production, which will have to be expanded sharply. Therefore, the cities that will first feel the employment impact of the new defense orders are those where the larger airplane plants are located - Los Angeles, Wichita, Seattle, Fort Worth, and others. These "aircraft cities" can expect an increase in the demand for living space and a resulting tightening of the housing market as out-of-town workers move in.

It would be a mistake, however, to expect anything approaching the migration that took place during the war years. To begin with, these are not war years in that sense. In the second place, there are simply not that many people needed under the present program.

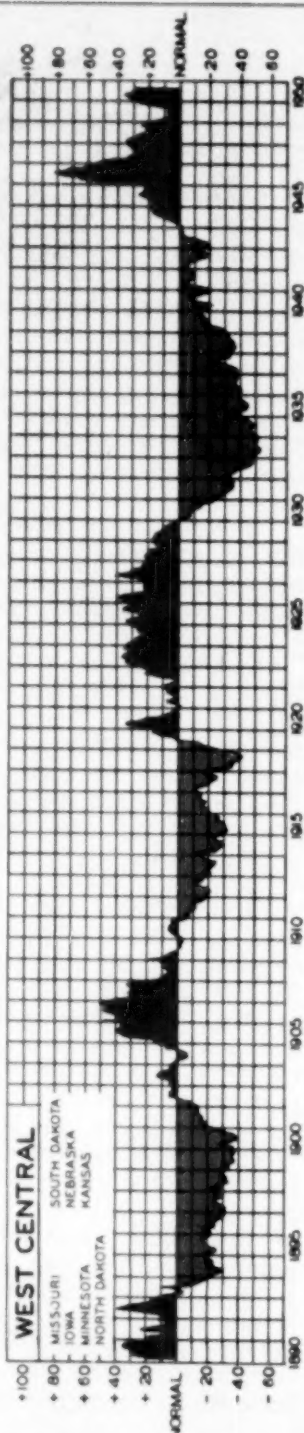
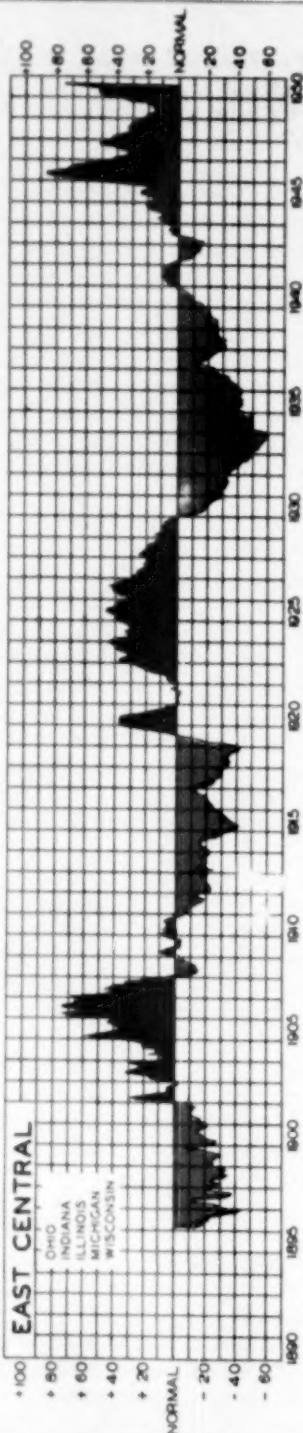
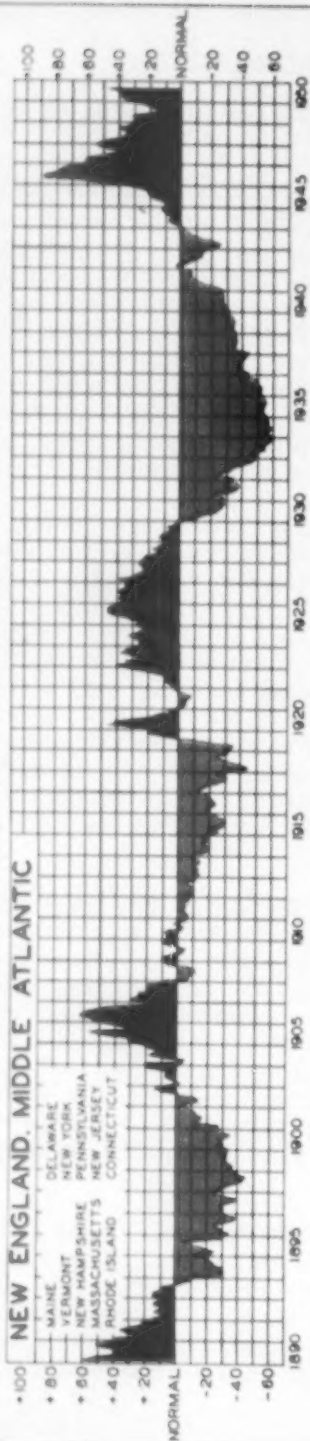
Shortages of materials are not likely to greatly affect the real estate field. Prior to the cut-back in residential construction, building materials were becoming rather tight. However, the slackening of the building boom is going to cause real estate people to worry a great deal more about equity money than they do about lumber, steel and cement. From July 28 through September 1 FHA weekly applications for home loans dropped 43%. This enforced drop in demand in the face of rising production of building materials should swiftly reverse the trend toward scarcity.

It is probably in the field of "money" that real estate will receive its greatest stimuli. It has already received a swift and unpleasant one in the curtailment of housing credit. We have already mentioned another. It is impossible to gauge the strength of the inflationary forces to be generated by our defense efforts. There are too many unknown quantities. One thing is certain - there will be some additional inflation. The wage increases that were spurred by government's palaver about freezes have set a pattern for price increases, and credit curbs will most probably be more than offset by government deficit financing. Nobody knows how far taxes will go. It is known that the tax increases are going to be bad, but whether they are to be bad enough where they will do the most good is as ever a question of politics rather than economics.

In the real estate field, as in most others, what happens is not always so important as what people think will happen. If enough people believe that serious inflation is coming, a brisk business can be done by brokering investment properties as hedges against inflation. Of course, every purchase to hedge against inflation requires a seller who thinks things will move in the other direction (or at least will level off). Therefore, it's a good idea to hit this branch of the business hard before the market lines up all on one side.

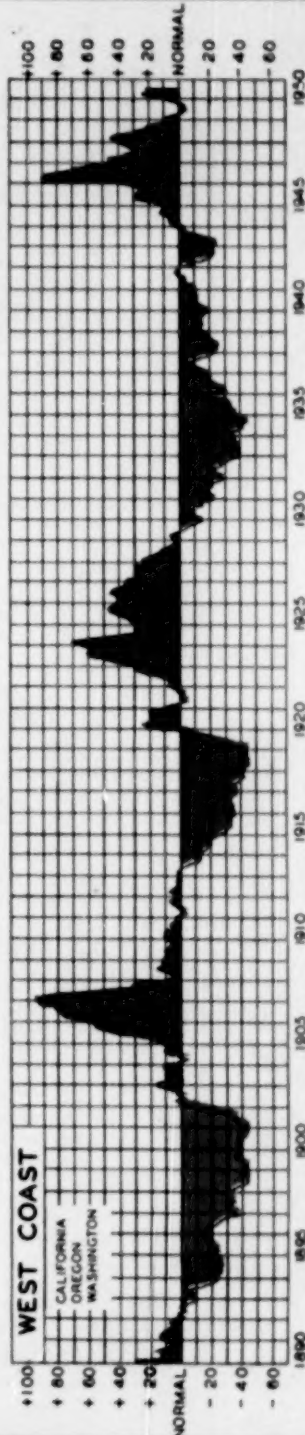
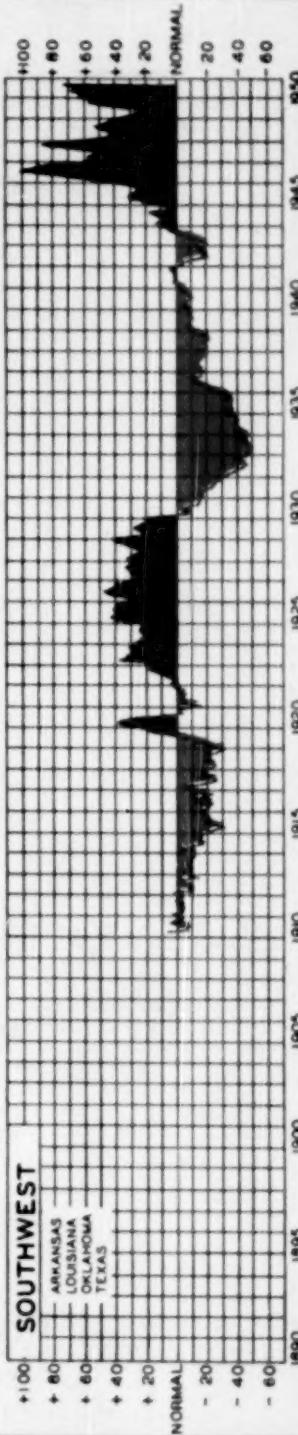
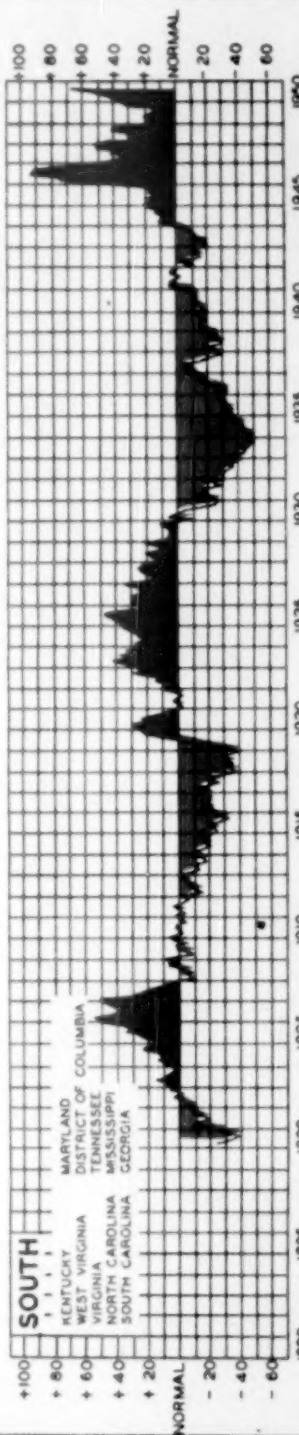
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